



MEMORANDUM
OCTOBER 9, 2004

TO: BOARD OF DIRECTORS

FROM: DAVE MERRITT

RE: WATER PROJECTS ENTERPRISE - EAGLE RIVER OPERATIONS

Eagle Park Reservoir filled to near capacity(2,926 acre feet) on July 12th of this year, and made some limited augmentation releases. With snowmaking coming on soon, these releases are likely to increase. We were able to make our exchange repayment to Homestake Reservoir from Wolford Mountain in the amount of 778 acre feet; however, we are having difficulty with the USBR in using the Vail Resorts and Upper Eagle Regional Water Authority contracts for the repayment this year. Because we have to stayed ahead of the “payback” to the Homestake Partners the last few years, the USBR is now interpreting this as facilitating a “carryover” of Green Mountain Reservoir contract water, which is not allowed under the contracting provisions. This problem, as well as the “accounting issue” which we have with Colorado Springs, continue to require us to place a hold on issuing any contracts for the additional Homestake Reservoir water.

Eagle Park Reservoir went into last fall full at 3148 acre feet, and released 946 acre feet to replace Eagle River depletions. These releases allowed the snowmaking and associated uses in the Vail to Edwards area to continue without impacting the instream flow of Gore Creek and the Eagle River at this critical time of the year, both for the stream and for the area economy.

To date, the District has issued 40 contracts for Eagle River supplies in the amount of 249 acre feet, and we 5 contracts pending for 33 acre feet. Eagle County exercised their option, under the original MOA, to purchase full ownership of 50 acre feet of Eagle Park Reservoir supplies Eagle County, they then assigned 24 acre feet to the Upper Eagle Regional Water Authority for an Eagle County project requiring water supply, and we are now going through the process to transfer the remaining shares back to the Enterprise as a holding entity. In this manner, Eagle County will not be a shareholder in the EPRC when it comes to the County for 1041 permitting issues surrounding

the development of additional supplies.

This will likely be soon, as Climax has indicated that they wish to either proceed with the development of the 6 cfs East Fork Pumpback (thereby regaining their full use of the Arkansas) or pay the EPRC the estimated cost of that facility. EPRC would then proceed to re-permit and construct a 15 cfs East Fork pumpback. It is expected that this activity will proceed in 2005/2006.

We have completed the agreements with Aurora for the additional 500 acre feet of Homestake Reservoir supplies, but have run into a disagreement with Colorado Springs on the manner of exchange payback on these supplies. Hopefully, this will be resolved this fall, and we can proceed with marketing this water. Although the Board accepted the staff recommendation in July to only initially release 30 acre feet of our 125 for marketing, we currently have 33 acre feet of contract requests pending. We are recommending that the Board increase this to 50 acre feet.

RECOMMENDED BOARD ACTION: **Direct the staff to market up to 50 acre feet from the 125 acre feet of 2004 MOU water supplies, upon resolution of the repayment exchange accounting issues.**